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## Uniqueness—The Election and the Debt Ceiling Crisis Ensure There Will Be No New Spending—No One is Willing to Provide Wins to the Other Side and Terror Over Spending Cuts is the Order of the Day

The Virginian Pilot, "Is Another Government/Financial Meltdown on Horizon?" May 27th, 2012

(<http://www.loansafe.org/is-another-governmentfinancial-meltdown-on-horizon>)

But **as the presidential and congressional election campaigns grow more intense, elected officials are less willing to reach any compromises that might help their political opponents.**

The consensus among many legislators and expert observers is that – **barring some cataclysmic economic emergency – Congress won't make a meaningful attempt to avert the cuts or tax increases until after the Nov. 6 elections.**

**"The sad political reality is that politicians think that they can take the year off,"** said Maya MacGuineas, president of the Committee for a Responsible Federal Budget, a nonpartisan think tank that lobbies for spending and deficit reforms.

If they wait until after the polls close, lawmakers will have eight weeks to work out a deal before these changes automatically take effect:

Higher payroll taxes. Workers' share of the Social Security tax, which was temporarily reduced for two years to stimulate consumer spending, will increase by 2 percentage points, to 6.2 percent. This means, for example, that someone with a taxable income of \$50,000 will pay \$19 more a week.

The end of Bush tax cuts. An array of tax breaks, first passed during President George W. Bush's administration, will expire. For starters, income tax rates will rise. The lowest rate will be 15 percent instead of 10 percent. All other tax brackets will rise 3 percentage points. In addition, many married people filing jointly will pay higher taxes. Taxes on capital gains will increase. Lower-income people will have to start paying a 10 percent tax on capital gains, and all others will see their capital gains tax rise to 20 percent from 15 percent.

The popular \$1,000 annual tax credit given to parents for every qualified child under age 17 will be cut to \$500.

\$1 trillion in budget cuts. Under terms of legislation approved last summer, the mandatory spending cuts spread over 10 years will begin with roughly half taken from defense and half from discretionary spending.

Several other changes, including significantly smaller Medicare payments for doctors and a shortening of unemployment benefits, also will begin in January.

**If all this weren't enough, Congress is expected to be asked to approve raising the government debt ceiling. Until recent years, such debt increases were not controversial.**

That view has changed with the ballooning of deficit spending due in part to the 10 years of war in Iraq and Afghanistan, unfunded tax breaks such as the Bush tax cuts, the rising cost of entitlements, and stimulus spending intended to soften the effect of the recent recession.

The debt limit – now \$16.4 trillion – is expected to top out later this year or early in 2013 as Washington continues to borrow substantial amounts every year to pay its bills.

**The desire to reduce the national debt – or at least halt its rise – has become intertwined with the ideological debate about what government should be providing and who should be paying the bills.**

**Many legislators, most recently House Speaker John Boehner, have said they won't consider raising the limit again without linking it to deep spending cuts.**

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**Link—Repairing American Transportation Infrastructure Will Be Enormously Expensive, It Will Require Massive Sources of Revenue, Funding is the Biggest Obstacle Now**

The Economist, "Life in the Fast Lane," April 28th, 2011 (<http://www.economist.com/node/18620944>)

**The rehabilitation of America's transport network will be neither easy nor cheap. To make the necessary repairs and upgrades, America will need to spend a lot more. In a deficit-conscious environment, that will require new revenue. The most straightforward first step would be a rise in fuel-tax rates, currently at 18.4 cents a gallon. But petrol-tax increases are even more unpopular than deficits, and rises may prove riskier as oil prices increase.**

**Some in Washington would rather take their cut further away from consumers.** A tax on oil, rather than petrol, could be a little easier for consumers to stomach. America's big oil producers signalled openness to a similar policy during negotiations over the ill-fated but bipartisan Kerry-Graham-Lieberman climate bill. It could return as a means to fund infrastructure.

**Economists press for direct user fees.** An early Obama administration flirtation with a tax on miles driven attracted little support, but some cities have run, or are thinking of running, pilot schemes. Congestion charges present another possibility. State governments have increasingly turned to tolls to fund individual projects, but tolling inevitably meets stiff public resistance. **Meanwhile, Manhattan's attempt to duplicate the congestion charges of London and Stockholm failed to win the necessary political support, despite the offer of a generous federal subsidy in return for trying the experiment.** An earlier attempt to auction scarce landing and departure slots at New York's three large airports faced stiff resistance from airlines and was ultimately killed.

Whatever the source of new revenue, **America's Byzantine funding system will remain an obstacle to improved planning. Policymakers are looking for ways around these constraints.** Supporters of a National Infrastructure Bank—Mr Obama among them—believe it offers America just such a shortcut. A bank would use strict cost-benefit analyses as a matter of course, and could make interstate investments easier. A European analogue, the European Investment Bank, has turned out to work well. Co-owned by the member states of the European Union, the EIB holds some \$300 billion in capital which it uses to provide loans to deserving projects across the continent. EIB funding may provide up to half the cost for projects that satisfy EU objectives and are judged cost-effective by a panel of experts.

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### Impact—Massive Increases in Spending Break the Perception of Fiscal Discipline, Collapses the Economy Rapidly

David Dapice, Associate Professor of Economics at Tufts University, "Dealing with a Declining Dollar – Part II", YaleGlobal, February 9th, 2005, (<http://yaleglobal.yale.edu/display.article?id=5254>)

**If US domestic politics make serious deficit reduction unlikely, the uneasy international bond buyers** may ultimately force the administration's hand. If the Republicans wish to avoid wearing a "Herbert Hoover necklace" (President Hoover's policies brought about the crash of 1929.) around their necks for a generation, they **may decide that preventing a dollar collapse is even more important than expanding spending and extending tax cuts.** Or **they might gamble that others have more to lose, and continue to run both federal and current account deficits that push the limits of foreign asset buyers' acceptance.** The willingness of foreign central banks to accumulate dollar assets for mercantilist purposes makes this bet seem safer in the short term, but also makes it riskier over time. **The whole world has a stake in the outcome of this debate, but few can vote – except with their money. Investors might cast the deciding votes: though if it comes to that, there could be more losers than winners.** For those who wish to glimpse the **"tipping point" – if indeed there is one – the pace of Federal Reserve short-term interest rate hikes might provide a clue. If foreigners begin to sell Treasury bills, which still yield little more than inflation, the Fed would have little choice but to raise interest rates more quickly than it has indicated.** These increases would transmit themselves to longer-term interest rates as well, and would drive up mortgage and other borrowing costs. Corporate investment, construction, and durable goods purchases (cars, furniture) would all diminish. Exports would benefit, but the net impact would be negative. If the rate hikes were steep enough, **a recession would likely ensue.**

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### Economic Collapse Leads to World War and Extinction

Walter Russell Mead, Senior Fellow for U.S. Foreign Policy at the Council on Foreign Relations, The Los Angeles Times, August 23, 1998 (<http://global.factiva.com/ha/default.aspx>)

Forget suicide car bombers and Afghan fanatics. It's the financial markets, not the terrorist training camps that pose the biggest immediate threat to world peace. How can this be? Think about the mother of all global meltdowns: the Great Depression that started in 1929. U.S. stocks began to collapse in October, staged a rally, then the market headed south big time. At the bottom, the Dow Jones industrial average had lost 90 percent of its value. Wages plummeted, thousands of banks and brokerages went bankrupt, millions of people lost their jobs. There were similar horror stories worldwide. But the biggest impact of the Depression on the United States -- and on world history -- wasn't money. It was blood: World War II. to be exact. The Depression brought Adolf Hitler to power in Germany, undermined the ability of moderates to oppose Joseph Stalin's power in Russia, and convinced the Japanese military that the country had no choice but to build an Asian empire, even if that meant war with the United States and Britain. That's the thing about depressions. They aren't just bad for your 401(k). Let the world economy crash far enough, and the rules change. We stop playing "The Price Is Right" and start up a new round of "Saving Private Ryan."

**Uniqueness—No Spending Now****Obama's Spending is as Low as Possible—Gridlock Has Prevented Any Substantial Increases**

New York Times," The Spending Binge That Wasn't," May 23rd, 2012

(<http://takingnote.blogs.nytimes.com/2012/05/23/the-spending-binge-that-wasnt/>)

Jay Carney, the White House press secretary, made a big show of reading reporters aboard Air Force One [a MarketWatch report](#) saying that the rate of spending growth under President Obama is lower than under any president since Eisenhower. Mr. Carney said this proves the president has demonstrated far more restraint and responsibility than his critics would allow. "Do not buy into the b.s. that you hear about spending and fiscal constraint with regard to this administration," he demanded. "I think doing so is a sign of sloth and laziness."

This trumpet blast would seem to indicate that Mr. Carney has bought into a standard Republican line: restraint is good and spending is bad, even when government dollars are desperately needed by a struggling economy. When Mitt Romney and other Republicans claim the president is a big spender (as they do every waking minute), the administration's first instinct is to say they're wrong on the facts, not that they're wrong on the principle.

The MarketWatch piece isn't really a surprise to anyone who has kept an eye on budgets and spending for the last few years. It says spending under Mr. Obama (including the stimulus) has grown by about 1.4 percent a year, compared to 7.3 percent in George W. Bush's first term, 3.2 percent in Bill Clinton's first term, and 8.7 percent in Ronald Reagan's first term. When inflation is taken into account, spending is now actually falling, the first decline since Richard Nixon.

The reason for this decline is that Republicans in Congress have successfully constrained Mr. Obama's desire to spend more. By threatening a government shutdown a year ago, for example, they won spending cuts of about \$25 billion over a decade. Then they threatened to send the government into default, and achieved cuts of more than \$2 trillion over a decade. More extortion can be expected later this year.

**Uniqueness—No Spending Now****Obama Hasn't Been Able to Actually Increase Spending—It is At Reagan-Low Levels**

Washington Times, "The reality behind Obama and Bush's 'spending binge,'" May 25th, 2012

([http://www.washingtonpost.com/blogs/ezra-klein/post/the-reality-behind-obama-and-bushs-spending-binge/2012/05/25/qJQAK8ltpU\\_blog.html](http://www.washingtonpost.com/blogs/ezra-klein/post/the-reality-behind-obama-and-bushs-spending-binge/2012/05/25/qJQAK8ltpU_blog.html))

That last line, by the way, isn't true. Obama's budget plans to bring spending down to 22.5 percent of GDP in 2016 -- which is about where it was in the Reagan years, and our demographics are worse now than they were then. But Pethokoukis's broader point is correct: The real debate here is what spending should have been in 2010 and 2011.

The Obama administration wanted it to be higher. After all, unemployment rose through 2010, and remains high today. It has proposed a raft of additional stimulus bills since 2009. Republicans in Congress, however, refused to pass most of their plans. Properly understood, the fact that inflation-adjusted spending has fallen since fiscal year 2009 is the result of Republican obstruction in Congress. That Democrats are now crowing about these numbers -- the DNC is e-mailing them around -- and that Republicans are now viciously disputing them is an embarrassment to both sides. You could as easily imagine Democrats lamenting these numbers as evidence of our failed policies and Republicans celebrating them as evidence of their congressional successes.

**Uniqueness—No Spending Now****Low Government Spending is Crucial to Continuing the Recovery—Won't Increase Now**

Peter Morici, professor at the Smith School of Business, "America's GDP, Europe's Collapse," Global Politician, April 30th, 2012 (<http://www.globalpolitician.com/27398-usa-europe-gdp-crisis>)

GDP growth was powered by much stronger consumer spending—especially on autos and recreational vehicles—substantial additions to business inventories, and stronger residential construction. Also, business investments in machinery and software contributed a bit too.

Reductions in government spending, nonresidential construction and a slightly widening trade deficit subtracted from growth.

The deficits on oil and with China account for nearly the entire \$621 billion trade deficit—nearly 4 percent of GDP. Cutting these in half, through changes in energy and trade policy, would increase GDP, including multiplier effects, by some \$500 billion and create 5 million jobs.

**Forecasts**

Second quarter growth will likely slow to about 1.6 percent, as consumers pull back and investments in new inventories slow. Business investment should not be expected to pick up the slack, stabilizing oil prices will likely boost imports a bit and government spending will stay in neutral or decline in the face of tightening fiscal conditions. Without further reductions in adult labor participation, the unemployment rate is not likely to fall much more.



**Uniqueness—No Transportation Spending Now****Transportation Spending Will Be Locked Down Now—Only Extensions, Not Actual Expansions of Transportation Infrastructure**

The Hill, "Gridlock, on roads and in highway bill talks, marks Memorial Day weekend," May 28th, 2012

(<http://thehill.com/blogs/transportation-report/highways-bridges-and-roads/229707-gridlock-on-roads-and-in-highway-bill-talks-marks-travel-weekend->)

"We have a huge infrastructure crisis that's going to be on a lot of people's minds this weekend and all they see is that Congress can't do anything about it," said Parris Glendening, president of the Smart Growth America Leadership Institute and a former governor of Maryland.

"The only thing they're going to hear, if they are paying attention at all, is that the bill doesn't have its act together," Glendening added. "They're going to be sitting there on I-95, in the gridlock just before and after Richmond, and it's going to be frustrating."

Members of the 47-member committee of lawmakers who have been trying to work out a deal between the House and Senate on transportation spending for the better part of a month have sounded more optimistic.

Sen. Barbara Boxer (D.-Calif.), told reporters this week "approximately 80 percent" of the bill was non-controversial.

"This is a very substantial report I'm giving you."

Boxer's committee is attempting to meld a two-year, \$109-billion transportation bill that was passed by the Senate with two temporary extensions of current funding that were approved by the House.

Glendening said Friday that he did not think committee members would ultimately be successful.

"They'll probably (do) something because it would be such a disaster if they did nothing (but) I think it's going to more extensions," he said. "I'm not an expert, but I think it's going to be a series of extensions through the elections."

**Brinks—Key To the Economy Now****Now is a Critical Time—Economic Issues On Top of Upcoming Events Will Re-Start the Recession**

Bloomberg Businessweek, "Simpson, Bowles See Recession, Inflation Without Budget Action," May 27th, 2011 (<http://www.businessweek.com/news/2012-05-27/simpson-bowles-see-recession-inflation-without-budget-action>)

U.S. lawmakers must take steps to address \$7 trillion in "economic events" next year or the economy may go into recession, the co-chairmen of President Barack Obama's fiscal commission said on CNN.

Automatic tax changes and cutbacks to federal spending mandated by Congress as part of last year's agreement to raise the federal debt limit may affect as much as 2 percent of the U.S. gross domestic product next year, co-chairman Erskine Bowles said on CNN's "Fareed Zakaria GPS."

Economic events occurring next year include the expiration of tax cuts instituted by former President George W. Bush and changes to the Alternative Minimum Tax and payroll tax deductions. The automatic spending cuts, mandated by Congress as part of an agreement last year to raise the federal debt limit, are "senseless, mindless," said Bowles, who was chief of staff to former President Bill Clinton, a Democrat.

"If we have a negative effect on 2 percent of GDP, we'll be right back in recession," Bowles said. A report issued May 22 by the Congressional Budget Office said the U.S. was approaching a "fiscal cliff" that may lead to recession without action by federal lawmakers.

**Links—Transportation Infrastructure****Spending on Transportation Infrastructure Explodes the Debt and Unhinges Fiscal Discipline**

Alison Fraser, Director, Thomas A. Roe Institute for Economic Policy Studies, "Will Transportation Reauthorization Be Another Big Spending Boondoggle?" Heritage Foundation, February 2nd, 2012

(<http://www.heritage.org/research/reports/2012/02/transportation-program-reauthorization-another-big-spending-problem>)

As Congress gears up for another year, reining in spending and debt should top the agenda, but one issue heading squarely against that priority is reauthorization of the transportation program. The last transportation bill, SAFETEA-LU, was marked by gluttonous excesses, which ranged from its porcine spending increases and wasteful spending on programs that did not improve roads, to its earmarks, which spawned the infamous "Bridge to Nowhere." Spending in SAFETEA-LU was so excessive that Congress was repeatedly called on to bail out the Highway Trust Fund.

This story is similar to the federal government's total finances—a massive run-up in spending and declining revenues. The latest projections from the Congressional Budget Office (CBO) for 2012 show a deficit of just over \$1 trillion, publicly held debt at 73 percent of GDP, and a rapidly deteriorating scenario over the next 10 years, during which publicly held debt will soar to nearly 100 percent of GDP.<sup>[1]</sup>

It is past time for Washington to stop spending money on wasteful projects and to live within its means. This should start with the first major opportunity of the year: reauthorization of the transportation program. Rather than increasing spending and then looking for new sources of revenue to pay for it, Congress should eliminate wasteful transportation programs and reduce spending so that the program lives within its means.

**Links—Transportation Infrastructure****Transportation Infrastructure is Expensive and Runs Behind on Growth and Projects**

Montana Department of Transportation, "Transportation Demand Management Strategies," 2009

([http://www.mdt.mt.gov/pubinvolve/hamilton/docs/final\\_chap7.pdf](http://www.mdt.mt.gov/pubinvolve/hamilton/docs/final_chap7.pdf))

The Hamilton area is projected to grow. The accompanying expansion of transportation infrastructure is expensive and usually lags behind growth. Proper management of demand now will maximize the existing infrastructure and delay the need to build more expensive additional infrastructure. TDM is an important and useful tool to extend the useful life of a transportation system. It must be recognized that TDM strategies aren't always appropriate for certain situations and may be difficult to implement.

**Links—Transportation Infrastructure****Large Transit Projects Prove that Transportation Infrastructure is a Massive Expense**

New Jersey Future, "Clearing the air about ARC," 2009 ([http://www.njfuture.org/wp-content/uploads/2011/06/ARC\\_sheet-9-10.pdf](http://www.njfuture.org/wp-content/uploads/2011/06/ARC_sheet-9-10.pdf) [http://www.njfuture.org/wp-content/uploads/2011/06/ARC\\_sheet-9-10.pdf](http://www.njfuture.org/wp-content/uploads/2011/06/ARC_sheet-9-10.pdf))

Transportation infrastructure is expensive, and the price tag for ARC is \$8.7 billion. Fortunately, the Federal Transportation Administration has committed \$3 billion to this project, one of the largest federal transit investments in generations. The Port Authority of New York & New Jersey will contribute another \$3 billion, reflecting a bi-state investment in ARC. Finally, the State of New Jersey will contribute \$2.7 billion. This funding structure reflects the shared commitment of two states, the federal government, and the public to improve transit service, air quality and increase economic productivity of this region. While the final project cost could change, the longer we hold off on project completion, the more expensive it will become.

**Links—Transportation Infrastructure****American Infrastructure Spending is Tiny Now, The Plan Will Be an Explosive Cost**

The Economist, "Life in the Fast Lane," April 28th, 2011 (<http://www.economist.com/node/18620944>)

All this is puzzling. America's economy remains the world's largest; its citizens are among the world's richest. The government is not constitutionally opposed to grand public works. The country stitched its continental expanse together through two centuries of ambitious earthmoving. Almost from the beginning of the republic the federal government encouraged the building of critical canals and roadways. In the 19th century Congress provided funding for a transcontinental railway linking the east and west coasts. And between 1956 and 1992 America constructed the interstate system, among the largest public-works projects in history, which criss-crossed the continent with nearly 50,000 miles of motorways.

But modern America is stingier. Total public spending on transport and water infrastructure has fallen steadily since the 1960s and now stands at 2.4% of GDP. Europe, by contrast, invests 5% of GDP in its infrastructure, while China is racing into the future at 9%. America's spending as a share of GDP has not come close to European levels for over 50 years. Over that time funds for both capital investments and operations and maintenance have steadily dropped (see chart 2).

Although America still builds roads with enthusiasm, according to the OECD's International Transport Forum, it spends considerably less than Europe on maintaining them. In 2006 America spent more than twice as much per person as Britain on new construction; but Britain spent 23% more per person maintaining its roads.

America's dependence on its cars is reinforced by a shortage of alternative forms of transport. Europe's large economies and Japan routinely spend more than America on rail investments, in absolute not just relative terms, despite much smaller populations and land areas. America spends more building airports than Europe but its underdeveloped rail network shunts more short-haul traffic onto planes, leaving many of its airports perpetually overburdened. Plans to upgrade air-traffic-control technology to a modern satellite-guided system have faced repeated delays. The current plan is now threatened by proposed cuts to the budget of the Federal Aviation Administration.

The Congressional Budget Office estimates that America needs to spend \$20 billion more a year just to maintain its infrastructure at the present, inadequate, levels. Up to \$80 billion a year in additional spending could be spent on projects which would show positive economic returns. Other reports go further. In 2005 Congress established the National Surface Transportation Policy and Revenue Study Commission. In 2008 the commission reckoned that America needed at least \$255 billion per year in transport spending over the next half-century to keep the system in good repair and make the needed upgrades. Current spending falls 60% short of that amount.

If they had a little money...

If Washington is spending less than it should, falling tax revenues are partly to blame. Revenue from taxes on petrol and diesel flow into trust funds that are the primary source of federal money for roads and mass transit. That flow has diminished to a drip. America's petrol tax is low by international standards, and has not gone up since 1993 (see chart 3). While the real value of the tax has eroded, the cost of building and maintaining infrastructure has gone up. As a result, the highway trust fund no longer supports even current spending. Congress has repeatedly been forced to top up the trust fund, with \$30 billion since 2008.

**Links—Highways****Federal Highway Funding is an Explosively Expensive and Wasteful System of Spending**

Gabriel Roth, transportation economist and research fellow at the Independent Institute, “Federal Highway Funding,” CATO Institute, June 2010 (<http://www.downsizinggovernment.org/transportation/highway-funding>)

Today, the interstate highway system is long complete and federal financing has become an increasingly inefficient way to modernize America's highways. Federal spending is often misallocated to low-value activities, and the regulations that go hand-in-hand with federal aid stifle innovation and boost highway costs.

The Department of Transportation's Federal Highway Administration will spend about \$52 billion in fiscal 2010, of which about \$11 billion is from the 2009 economic stimulus bill.<sup>1</sup> FHWA's budget mainly consists of grants to state governments, and FHWA programs are primarily funded from taxes on gasoline and other fuels.<sup>2</sup>

Congress implements highway policy through multi-year authorization bills. The last of these was passed in 2005 as the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). Congress will likely be reauthorizing highway programs in 2011, and it is currently pursuing many misguided policy directions in designing that legislation.

**Links—Highways****Federal Highway Spending is Structurally Out of Control—There is No Fiscal Discipline When It Comes to Overspending on Highway Projects**

[Stephen Slivinski](#), director of budget studies at the Cato Institute, “Don Young's World,” CATO Institute, August 16th, 2005 (<http://www.cato.org/publications/commentary/don-youngs-world>)

All of this, however, is merely a symptom of two much larger problems. The first is structural. The Interstate Highway System has been complete since 1986. The federal fuel tax was supposed to sunset upon completion. Yet it's still around and so is Congress's power to dole out the cash it collects with it. Today the so-called highway trust fund looks more like a politician's slush fund.

Most of the money is sent back to states through a formula that guarantees that at least 90.5 percent of the revenue from each state returns to that state. The current bill raises that level to 92 percent by 2009. What happens to the rest? At the expense of all other states, a very few politically powerful congressmen get to divvy it up. This benefits powerful incumbent politicians like Democratic senator Robert Byrd of West Virginia, whose state receives close to \$2 for each \$1 his state contributes. Or Democratic senator Byron Dorgan of North Dakota, or Republican senator Ted Stevens of Alaska (member of the Senate Appropriations Committee), or GOP congressman Don Young of Alaska, just to name a few. Each state represented by them receives more than \$2 for every \$1 contributed. In the case of Alaska, the ratio is an astounding 5 to 1. But how about letting each state keep all of the fuel tax money it collects? Supporters of limited government in the House, like Jeff Flake of Arizona and Scott Garrett of New Jersey, have promoted plans to get the federal government out of the highway business altogether by giving complete responsibility over road construction and maintenance to the states. This would allow states to keep all the money they collect in fuel taxes and decide how best to use that money.

Which leads us to the second real reason why the highway bill is such a disaster: the complete abandon of fiscal discipline by the Republican majority in Congress. The reform plans to devolve this power back to the states was an idea promoted originally by Reagan, and discussed during the early days of the Republican takeover of Congress in the mid-1990s. Yet this month it was the senior GOP members and the leadership who were fighting changes to the political patronage system fueled by the highway slush fund. Just as it has been senior Republicans during the past five years fighting all other attempts to cut spending or put a cap on the federal budget.

The Republicans are no longer the party of Reagan when it comes to the fight for limited government. It's Don Young's world, now. We're just living in it.



**Links—Passenger Rail****Passenger Rail is Inefficient and Incredibly Costly—Federal Funding Will Remain Extremely Expensive**

Tad DeHaven, budget analyst on federal and state budget issues for the Cato Institute, "Privatizing Amtrak," CATO Institute, June 2010 (<http://www.downsizinggovernment.org/transportation/amtrak/subsidies>)

Some people argue that other forms of transportation are subsidized, so why not passenger rail? In 2004, the Department of Transportation published a report on the cost of federal subsidies for automobiles, buses, airplanes, transit, and passenger rail per thousand passenger miles.<sup>18</sup> The survey covered 1990 to 2002. In every year except one, passenger rail was the most subsidized mode of transportation. For example, in 2002 Amtrak subsidies per one thousand passenger miles were \$210.31. By contrast, the subsidy for automobiles was -\$1.79, which means that drivers more than supported themselves through federal fuel taxes.

The findings embarrassed Amtrak supporters in Congress, and as a result, the government stopped producing the report. Transportation experts Wendell Cox and Ronald Utt have updated the figures using the government's methodology and produced a similar result. They found that Amtrak subsidies per thousand passenger miles were \$237.53 versus -\$1.01 for automobiles in 2006.<sup>19</sup>

As it is currently structured, passenger rail is a cost-ineffective mode of transportation. As former senator Russell Long once said, why is the government trying to get people "to leave a taxpaying organization, the bus company, and ride on a tax-eating organization, Amtrak?"<sup>20</sup> Passenger rail might make economic sense on some corridors in the United States, but the only way to figure out which routes and services make sense is to let private enterprise take the lead in a deregulated marketplace, as discussed below.

Links—HSR
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**The Construction and Operation of High Speed Rail is Incredibly Expensive**

Think Progress Climate Blog, "[A look at Chinas high-speed rail investments](http://thinkprogress.org/climate/2011/02/21/205915/china-high-speed-rail/?mobile=nc)," February 21st, 2011  
(<http://thinkprogress.org/climate/2011/02/21/205915/china-high-speed-rail/?mobile=nc>)

Some have questioned the economics of high-speed rail. A common criticism is that the construction of rail infrastructure is very expensive and its operations may never be profitable. The Beijing-Tianjin line, for instance, is [reportedly](#) losing some \$102 million per year. Another criticism is that high-speed rail tends to benefit the wealthier population more than the lower-income class because tickets for high-speed rail are more expensive than those for conventional rail or bus transportation.

**Links—Freight Rail****Freight Rail Infrastructure is Expensive—The Infrequency of Government Contributions Makes it Even More Difficult**

New York State Department of Transportation, "FREIGHT RAIL SERVICE IN NEW YORK STATE," Updated 2012 (<https://www.dot.ny.gov/divisions/operating/opdm/passenger-rail/freight-rail-service-in-new-york-state>)

Unlike public funding for highways, bridges, and some forms of rail rapid transit (commuter rail and subways), where there is regular, reliable, and dedicated funding (both federal and in many states), with freight rail and intercity passenger rail (i.e., Amtrak) public funding has been mostly irregular, unreliable, and not dedicated. As a result, in some years there have been adequate public funds available to freight railroads (and Amtrak), while in other years such funds have been in short supply. This uncertainty has meant freight railroads have had to independently marshal and amass the resources necessary to complete vital infrastructure projects - an expensive and time-consuming proposition. Over time, a number of federal and state laws and funding initiatives, designed to assist freight railroads in some fashion, have been enacted and established.

**Links—Mass Transit****Mass Transit Infrastructure is Expensive and Directly Contributes to the Deficit**

Manhattan Institute for Policy Research, "A Good, But Not Great, Highway Bill," February 2nd, 2012

(<http://www.manhattan-institute.org/html/miarticle.htm?id=7864#.T8T9ktVDOSo>)

If the bill allowed states to toll interstate highways, states would have a source of revenue for what is often described as "the nation's crumbling infrastructure."

If representatives are concerned that some strategically-placed states will charge too much for tolls, they could insert a clause, similar to the bill's Section 1204 for non-interstate tolls, to limit tolling to levels consistent with road maintenance. The new infrastructure bill no longer obligates states to spend highway funding on non-highway activities, such as museums or landscaping. But this does not appear to apply to mass transit. It should. States are now required to spend 20 percent of their Highway Trust Fund allocation on mass transit, yet only 2 percent of passenger miles are used by mass transit. Just as users of roads should pay all of their costs, such as construction and maintenance, so should users of mass transit. If individual states want to subsidize mass transit, they should do it out of their own revenues. With Uncle Sam broke, the Federal government should not be subsidizing expensive mass transit systems.

**Links—Mass Transit****Constructing, Maintaining and Operating Mass Transit Infrastructure is an Expensive Proposition Which Gives Nothing Back to the Federal Government**

US News and World Report, "Mass Transit Systems Have a Hard Time Paying the Bills," March 27th, 2008

(<http://www.usnews.com/news/national/articles/2008/03/27/mass-transit-systems-have-a-hard-time-paying-the-bills>)

With gas at \$4 per gallon and highway congestion soaring, ridership on the nation's subways and buses has jumped dramatically. Between 1995 and 2006, use of public transportation increased by 30 percent, a rate far outstripping both population growth and increased highway usage. Last year, that meant Americans took some 10.3 billion trips on mass transit. And therein lies the problem. "There's a transportation finance crisis writ large across the country," says Robert Puentes, a fellow at the Brookings Institution's metropolitan policy program.

Because mass transit systems are so expensive to operate, they rely heavily on subsidies from federal, state, and local coffers. But the flow of money has not kept pace with the ridership growth. And when demand is coupled with capital costs or deferred maintenance and bonds coming due, many transit systems now find themselves in a financial bind that promises to only get worse.

In the red. The transit agency in Boston, for instance, is now some \$5 billion in the red. The New York Transit Authority will face an estimated \$700 million deficit this year, which is projected to jump to a \$1.1 billion shortfall in 2009 and a \$2.07 billion gap by 2011. "The state wasn't kicking in money for capital needs, so we were taking out bonds," says William Henderson, executive director of the Permanent Citizens Advisory Committee to the Metropolitan Transit Authority. "Now, not only are you having to pay for the 40 percent of cost of operations that you're not covering through the fare box, you're also paying for more and more debt service."

Like the nation's highways, transit systems are not federal assets; they are owned and operated by a patchwork of local and state partnerships. While this means that each network has flexibility in the way it secures funding, it also makes finding money a constant struggle between often competing entities. In Chicago, one month after the mayor cajoled aldermen into supporting his tax plan, state legislators and Illinois's governor were unable to agree on a CTA funding package, forcing cuts of \$200 million from the capital-improvements budget. In Chicago, the need for repairs is particularly acute. Miles of train track need repair, and some dilapidated bus garages are so old they were built for horses.

**Links—Inland Waterways****Inland Waterways Infrastructure Spending Has Been Reigned in Now—The Plan Reopens an Area Empirically Very Dangerous for Expansive Spending Priorities**

Charles V. Stern, Analyst in Natural Resources Policy, "Inland Waterways: Recent Proposals and Issues for Congress," Congressional Research Service, April 12th, 2012 (<http://www.fas.org/sgp/crs/misc/R41430.pdf>)

Between 1986 and 2011, the IWTF balance has varied considerably. Beginning in 1992, balances increased, reaching their highest level, \$413 million, in 2002. On multiple occasions, the executive branch (through the Clinton Administration in 1996 and the Bush Administration in 2004) proposed to further increase fees on the user industry and require the IWTF to also fund some portion of operations and maintenance expenditures (in addition to the construction and major rehabilitation requirements). These proposals were not enacted by Congress. Beginning in FY2005, appropriations from the IWTF increased significantly as the Bush Administration requested and Congress appropriated greater investments in IWTF-funded projects. These increasing expenditures significantly exceeded annual fuel tax collections going into the IWTF and interest on the IWTF balance.<sup>21</sup> (See Figure 3.) Additionally, some projects significantly exceeded their original cost estimates, further stressing the trust fund.<sup>22</sup> As a result, balances fell sharply from 2007 to 2010. As of the end of FY2010, the available IWTF balance for new appropriations was \$38.2 million.<sup>23</sup> A summary of these trends is provided in Figure 3. In an effort to reduce stress on the IWTF and prevent the balance from falling to unsustainable levels, Congress has taken a number of "stopgap" measures in previous years. For instance, Congress exempted major rehabilitation projects from their usual cost-sharing requirements in the continuing resolution for FY2009 (P.L. 110-329) and limited the projects with access to the IWTF in regular appropriations for FY2009 (P.L. 111-8). Congress also provided inland waterway projects with more than \$400 million in construction funding under the American Recovery and Reinvestment Act (ARRA, P.L. 111-5), and exempted this funding from IWTF cost-share requirements. These measures limited the costs to the IWTF for ongoing projects, while also allowing for the completion of these projects. More recently, Congress prohibited the Corps from entering into new contracts requiring IWTF funding since FY2009, and has limited enacted appropriations from the IWTF to expected fuel tax revenues for the coming year. Due to the aforementioned congressional stopgap measures, the trust fund balance appears to have stabilized. However, without changes to IWTF financing, funding for new projects is expected to be extremely limited in the foreseeable future, with most of the expected funding going to one project, Olmsted Lock and Dam.<sup>24</sup> Such a scenario would likely increase the current project backlog for Corps inland waterway projects. Long-term options and proposals to address this situation are discussed in the section below, "Inland Waterway Financing Proposals."

**Internal Links—Spending→ Inflation****Inflation is a Substantial Risk Now—We Must Restrain Government Spending to Prevent it From Taking Hold**

The Liberty Bullhorn, "Inflation Is Back: Another Carter Shadow over Obama's Recession," February 9th, 2012 (<http://libertybullhorn.com/2012/02/29/inflation-is-back-another-carter-shadow-over-obamas-recession/>)

Time now for the news on inflation. The BEA's adjustment of a key price index for domestic spending indicates that we are in for a ride we have not been on since Carter was in the White House (emphasis added):

The price index for gross domestic purchases, which measures prices paid by U.S. residents, increased 1.1 percent in the fourth quarter, 0.3 percentage point more than in the advance estimate; this index increased 2.0 percent in the third quarter. Excluding food and energy prices, the price index for gross domestic purchases increased 1.2 percent in the fourth quarter, compared with an increase of 1.8 percent in the third.

For a price index, this is a fairly significant adjustment. It's been a long time coming – there have been signs in the economy of pending inflation for quite some time now, but it has not quite broken out yet. However, this is the time to take the inflation threat seriously. We need a new fiscal policy, and we need it yesterday.

Yes, fiscal policy. Contrary to what simplistic economic theoreticians would have you believe, inflation is not a monetary phenomenon (other than accounting-wise). It is caused in good part by reckless deficit spending on behalf of the federal government.

**Impacts—Spending Bad for the Economy****Low Spending is Crucial to Stabilize the American Economy—Every Empirical Example Demonstrates that Fiscal Discipline Must Remain Intact**

Jonathan W. Emord, Constitutional Law Attorney and Author, "THE KRUGMAN-OBAMA CONNECTION," May 28th, 2012 (<http://www.newswithviews.com/Emord/jonathan247.htm>)

Indeed, the periods of greatest economic growth in America have been ones in which government spending as a percentage of Gross Domestic Product and government regulation of the market have been far lower than they are now. Without question, private initiative and innovation have led to every major advance in the U.S. economy, while government planning and expansion have uniformly retarded growth and have created barriers to the free use of capital to satisfy consumer demand. The market dislocation effected has reduced the American standard of living and has transformed the nation from a society of independent people to one of dependents.

If Krugman's thesis were correct, one would expect that the Communist Chinese economy before market reforms would have been the greatest in the world, but even the Central Politburo of the Communist Party of China had to reduce government control over the entire economy to yield that nation's greatest revolution—not the murderous cultural one but the life saving and living standard lifting free market one. It should be noted that even Chinese stimulus spending during the recession has proven a failure, incapable of elevating the Chinese economy from its present doldrums.

There is a danger for President Obama arising from Krugman's recent foray into national politics. The public is rightfully skeptical of the intellectual brain trust for a government planned economy that brought Larry Summers, Timothy Geithner, and Ben Bernanke to positions of enormous power, lording over and channeling economic forces. Krugman looks increasingly like another Summers, Geithner, or Bernanke. The dreaded status quo with its recession and high unemployment remains firmly in place despite the efforts of this brain trust. Krugman fits the Larry Summers mold—supremely confident in the correctness of his opinions even when they do not work.

Increasingly Americans are reuniting with a history they know to be a proven way to freedom and progress: limited government, markets unfettered by oppressive regulation, and faith in freedom of choice and innovation rather than in state paternalism. Washington's leadership still does not appreciate the full gravity of this movement but some, like Senator Orrin Hatch and former Senator Richard Lugar, have felt quite personally the backlash from an angry electorate. If these sentiments in favor of a restoration of the American republic continue to grow (and it is likely they will), Obama's days will be numbered and Krugman will be viewed as yet another wise man whose wisdom lies in theory, not in reality.



**Impacts—Spending Bad for the Economy****Increased Spending Will Expand Inflation and Collapse the Economy, Moves From a Slump to a Depression**

Steve H. Hanke, Professor of Applied Economics at The Johns Hopkins University, “Good-Bye Recession, Hello Slump,” Globe Asia, July 2011 (<http://www.realclearmarkets.com/blog/Good-Bye%2520Recession,%2520Hello%2520Slump,%2520July%25202011.pdf>)

Nothing contradicts the fiscalists' dogma more conclusively than former President Clinton's massive fiscal squeeze. When President Clinton took office in 1993, government expenditures were 22.1% of GDP, and when he departed in 2000, the federal government's share of the economy had been squeezed to a low of 18.2% (see the accompanying chart and table). And that's not all. During the final three years of the former President's second term, the federal government was generating fiscal surpluses. President Clinton was even confident enough to boldly claim in his January 1996 State of the Union address that “the era of big government is over.” President Clinton's squeeze didn't throw the economy into a slump, as Keynesianism would imply. No. President Clinton's Victorian fiscal virtues generated a significant confidence shock, and the economy boomed. As for President Clinton's proclamation about the era of big government being over, he obviously hadn't anticipated the uncontrolled government spending that would accompany former President George W. Bush's eight years in office and the truly shocking two-year's worth of government spending on President Obama's watch. All told, the George W. Bush and Obama administrations have added a whopping 5.6 percentage points to government spending as a proportion of GDP. The current federal government outlays are at 23.8% (see the accompanying chart and table). This is significantly above the average of 20.1%. The surge in government spending – coupled with President Obama's anti-market, anti-business and anti-bank rhetoric – does not inspire confidence. In consequence, the current U.S. fiscal stance has fueled a slump.

**Impacts—Spending Bad for the Economy****Government Spending Destroys American Roll in the Global Economy, Undercuts the Dollar and Bond Markets**

Christian Science Monitor, "Budget cuts are the dollar's savior," April 14, 2011

(<http://www.csmonitor.com/Commentary/the-monitors-view/2011/0414/Budgetcuts-are-the-dollar-s-savior>)

Americans should look at the battle of the budget in Washington as bigger than typical power-play antics. Not only is the tussle over spending a way to define government's role. It will also dictate the future of US leadership – and its values – in the global economy. The best measure of that influence lies in the continuing strength of the US dollar as the world's dominant currency for countries to hold in reserve and for use in trade. The closer Democrats and Republicans get to a deal on dramatic cuts in the deficit, the more likely the greenback will keep its perch as the global banknote of choice. Without a credible agreement to reduce trillions in US debt, however, the wolves will soon be at the gate in an attempt to dethrone the dollar, and Americans will lose the benefits of easy trade in dollars and the use of credit from countries recycling dollars back into purchase of Treasury bonds.

**Impacts—Spending Bad for the Economy****Rampant Government Spending Exacerbates the Debt Crisis, Destroys Currency and Causes Protectionist Conflict**

John Ing, President, CEO at Maison Placements Canada Inc., “Currency Wars and China,” Financial Sense, December 17, 2010

(<http://www.financialsense.com/contributors/john-ing/currency-wars-and-china>)

Washington's insatiable appetite for debt and taxes has become just too big. In reflatting this bubble with yet another round of quantitative easing, Fed Chairman Bernanke (a.k.a. Helicopter Ben) has greatly increased the risk of a global currency war dragging down an already vulnerable banking system. Desperately the Americans and Europeans have resorted to the printing press, manipulating their currencies lower destabilizing capital flows, raising fears of an all out currency war, similar to the one that spawned the Great Depression.

**Impacts—Spending Bad for the Economy****American Failure to Reign in the Debt Crisis Will Overwhelm the Economy—We are One Step Away From Ending Up Like Greece**

Michael Schuman, Global Economic Affairs columnist, "How America can avoid a Greek tragedy," Time Magazine, June 29th, 2011 (<http://business.time.com/2011/06/29/how-america-can-avoid-a-greek-tragedy/>)

The Greeks have the EU shoving austerity measures down their throats. They don't have options; the Americans do. Whether or not the U.S. ever ends up like Greece depends on what Washington does with those options. And Washington will have to do something, and soon. That's because there are similarities between the American and Greek debt problems. First, the government debt of both countries is expected to continue rising – to 107% of GDP for America and 159% for Greece by 2012, estimates the OECD. Secondly, both governments have credibility issues in regard to their ability or willingness to confront the problem. Greece may have passed its austerity package today, but whether or not its politicians will be able to actually implement it is an open question. Washington politicians do a lot of blabbering about the budget deficit and debt, but very little doing.

**Impacts—Spending Bad for the Economy****Federal Spending Policy and Budget Care is Crucial to Avoid Further Economic Collapse**

J.D. Foster, Senior Fellow in the Economics of Fiscal Policy at The Heritage Foundation, “Promoting Job Creation and Reducing Unemployment in the U.S.,” Heritage Foundation, September 21st, 2011

(<http://www.heritage.org/research/testimony/2011/09/promoting-job-creation-in-the-us>)

To understand what policies might be helpful today and which harmful, it's important to assess why the economy is not yet recovering. The fundamentals of our economy remain sound. The natural productive tendencies of America's workers, investors, and entrepreneurs remain undiminished. The economy is poised to grow. Why, then, does it hold back? There are, of course, the unusual headwinds, such as the follow-on effects of Japan's devastating earthquake and tsunami. But the economy faces and overcomes such headwinds even in the best of times. Headwinds there are, to be sure, but they do not explain the economy's lethargy.

The economy suffers from two categories of troubles. The first are structural troubles, which today primarily reflect a housing sector still in deep disequilibrium in many areas of the country. There is very little substantively that government can do to return housing markets to normal, and heaven knows Congress and the President have tried just about everything. And that is part of the problem. Government's well-intentioned meddling has delayed and distorted the essential requirement for normalization – price discovery. On balance, these policies have set back the housing recovery by months, perhaps a year or more. There is an important lesson here.

The second category of trouble is what might be termed environmental -- not the natural environment, but the economic environment. Missing from most economics textbooks are the true animating forces of prosperity. Most relevant for our discussion is alternatively a shortage of confidence or an excess of bad uncertainty.

Those who could make the decisions and take the actions that would grow the economy lack the confidence to do so. Even today, the economy abounds in opportunities for growth. But turning potential into reality requires action, and action requires confidence—confidence in the future, confidence in the specific effects in government policy, and confidence that government can properly carry out its basic functions, like agreeing to a budget. America suffers a confidence shortage, and Washington is overwhelmingly the cause.

Confidence, in turn, is lacking because of an excess of uncertainty: Uncertainty about the future, but also uncertainty about the effects of government policies – tax policies, regulatory policies, monetary policies, trade policies.

**Impacts—Spending Bad for the Economy****Massive Debt Cycles Will Boil Over, the Result Will Be a Collapse Unlike We Have Seen Before and a New Great Depression**

Prison Planet, "Forget 1987, This Could Be 1929 All Over Again Analyst says economic winter could last 8 years, worst is yet to come," January 24th , 2008,

([http://www.propagandamatrix.com/articles/january2008/012408\\_over\\_again.htm](http://www.propagandamatrix.com/articles/january2008/012408_over_again.htm))

The huge debt bubble, which has artificially propped up the stock market since the turn of the millennium, could cause a new great depression according to one expert, who also predicts that investors will flock to buy gold as the dollar continues to plummet. Financial analysts have been drawing comparisons between this week's chaos and the October 19 1987 crash, known as Black Monday, when the Dow Jones Industrial Average dropped by over 22 per cent and markets sunk worldwide. But Vancouver-based investment adviser Ian Gordon has gone a step further, seeing clear parallels between current events and those that foreshadowed the 1929 crash and ensuing depression. "We're really seeing a mirror image of what happened following the [19]29 peak in equity prices in the United States, and the subsequent crash in equities," Gordon told the Georgia Straight. "We're seeing really the mirror of...the huge debt bubble that was built into the economy in the '20s in the United States. We're now seeing the collapse of the debt bubble that was built into the world economies, but principally in the United States." Gordon levels the blame at Alan Greenspan for creating a huge bubble by injecting too much money into the system in an attempt to offset the "economic winter" that inevitably arrives as part of the boom and bust cycle of the fiat money system, arguing that the realistic peak in the stock market occurred in 2000. Gordon predicts that the "economic winter" will last another 7 or 8 years and that the worst is yet to come, with the continued meltdown of the dollar causing people to flock to the safe haven of gold.

**Impacts—Economic Collapse→ War****Global Collapse Now Will Destroy Worldwide Finance, Causing Nuclear Catastrophe and Global Power Conflict**

Scotland Herald, "Don't Bank on Financial Trouble Being Resolved Without Conflict," March 18th, 2009  
(<http://www.heraldsotland.com/don-t-bank-on-financial-trouble-being-resolved-without-conflict-1.830196>)

I'm not saying that America is about to declare war on China, or that Germany is going to invade France. But there are profound economic stresses in central Europe that could rapidly turn into conflict in the bankrupt Baltic states, Hungary, Ukraine. And if the Great Recession, as the IMF's Dominique Strauss-Kahn called it last week, turns into a Great Depression, with a prolonged collapse in international trade and financial flows, then we could see countries like Pakistan disintegrate into nuclear anarchy and war with neighbouring India, which will itself be experiencing widespread social unrest. Collapsing China could see civil war too; Japan will likely re-arm; Russia will seek to expand its sphere of economic interests. Need I to go on?

## Impacts—Economic Collapse→ War

**Failure of the Global Economy Produces War**

Walter Russel Mead, Senior Fellow in U.S. Foreign Policy at the Council on Foreign Relations, "Only Makes You Stronger," The New Republic, January 4<sup>th</sup>, 2009 (<http://www.tnr.com/politics/story.html?id=571cbbb9-2887-4d81-8542-92e83915f5f8&p=2>)

If current market turmoil seriously damaged the performance and prospects of India and China, the current crisis could join the Great Depression in the list of economic events that changed history, even if the recessions in the West are relatively short and mild. The United States should stand ready to assist Chinese and Indian financial authorities on an emergency basis--and work very hard to help both countries escape or at least weather any economic downturn. It may test the political will of the Obama administration, but the United States must avoid a protectionist response to the economic slowdown. U.S. moves to limit market access for Chinese and Indian producers could poison relations for years. For billions of people in nuclear-armed countries to emerge from this crisis believing either that the United States was indifferent to their well-being or that it had profited from their distress could damage U.S. foreign policy far more severely than any mistake made by George W. Bush. It's not just the great powers whose trajectories have been affected by the crash. Lesser powers like Saudi Arabia and Iran also face new constraints. The crisis has strengthened the U.S. position in the Middle East as falling oil prices reduce Iranian influence and increase the dependence of the oil sheikdoms on U.S. protection. Success in Iraq--however late, however undeserved, however limited--had already improved the Obama administration's prospects for addressing regional crises. Now, the collapse in oil prices has put the Iranian regime on the defensive. The annual inflation rate rose above 29 percent last September, up from about 17 percent in 2007, according to Iran's Bank Markazi. Economists forecast that Iran's real GDP growth will drop markedly in the coming months as stagnating oil revenues and the continued global economic downturn force the government to rein in its expansionary fiscal policy. All this has weakened Ahmadinejad at home and Iran abroad. Iranian officials must balance the relative merits of support for allies like Hamas, Hezbollah, and Syria against domestic needs, while international sanctions and other diplomatic sticks have been made more painful and Western carrots (like trade opportunities) have become more attractive. Meanwhile, Saudi Arabia and other oil states have become more dependent on the United States for protection against Iran, and they have fewer resources to fund religious extremism as they use diminished oil revenues to support basic domestic spending and development goals. None of this makes the Middle East an easy target for U.S. diplomacy, but thanks in part to the economic crisis, the incoming administration has the chance to try some new ideas and to enter negotiations with Iran (and Syria) from a position of enhanced strength. Every crisis is different, but there seem to be reasons why, over time, financial crises on balance reinforce rather than undermine the world position of the leading capitalist countries. Since capitalism first emerged in early modern Europe, the ability to exploit the advantages of rapid economic development has been a key factor in international competition. Countries that can encourage--or at least allow and sustain--the change, dislocation, upheaval, and pain that capitalism often involves, while providing their tumultuous market societies with appropriate regulatory and legal frameworks, grow swiftly. They produce cutting-edge technologies that translate into military and economic power. They are able to invest in education, making their workforces ever more productive. They typically develop liberal political institutions and cultural norms that value, or at least tolerate, dissent and that allow people of different political and religious viewpoints to collaborate on a vast social project of modernization--and to maintain political stability in the face of accelerating social and economic change. The vast productive capacity of leading capitalist powers gives them the ability to project influence around the world and, to some degree, to remake the world to suit their own interests and preferences. This is what the United Kingdom and the United States have done in past centuries, and what other capitalist powers like France, Germany, and Japan have done to a lesser extent. In these countries, the social forces that support the idea of a competitive market economy within an appropriately liberal legal and political framework are relatively strong. But, in many other countries where capitalism rubs people the wrong way, this is not the case. On either side of the Atlantic, for example, the Latin world is often drawn to anti-capitalist movements and rulers on both the right and the left. Russia, too, has never really taken to capitalism and liberal society--whether during the time of the czars, the commissars, or the post-cold war leaders who so signally failed to build a stable, open system of liberal democratic capitalism even as many former Warsaw Pact nations were making rapid transitions. Partly as a result of these internal cultural pressures, and partly because, in much of the world, capitalism has appeared as an unwelcome interloper, imposed by foreign forces and shaped to fit foreign rather than domestic interests and preferences, many countries are only half-heartedly capitalist. When crisis strikes, they are quick to decide that capitalism is a failure and look for alternatives. So far, such half-hearted experiments not only have failed to work; they have left the societies that have tried them in a progressively worse position, farther behind the front-runners as time goes by. Argentina has lost ground to Chile; Russian development has fallen farther behind that of the Baltic states and Central Europe. Frequently, the crisis has weakened the power of the merchants, industrialists, financiers, and professionals who want to develop a liberal capitalist society integrated into the world. Crisis can also strengthen the hand of religious extremists, populist radicals, or authoritarian traditionalists who are determined to resist liberal capitalist society for a variety of reasons. Meanwhile, the companies and banks based in these societies are often less established and more vulnerable to the consequences of a financial crisis than more established firms in wealthier societies. As a result, developing countries and countries where capitalism has relatively recent and shallow roots tend to suffer greater economic and political damage when crisis strikes--as, inevitably, it does. And, consequently, financial crises often reinforce rather than challenge the global distribution of power and wealth. This may be happening yet again. None of which means that we can just sit back and enjoy the recession. History may suggest that financial crises actually help capitalist great powers maintain their leads--but it has other, less reassuring messages as well. If financial crises have been a normal part of life during the 300-year rise of the liberal capitalist system under the Anglophone powers, so has war. The wars of the League of Augsburg and the Spanish Succession; the Seven Years War; the American Revolution; the Napoleonic Wars; the two World Wars; the cold war: The list of wars is almost as long as the list of financial crises. Bad economic times can breed wars. Europe was a pretty peaceful place in 1928, but the Depression poisoned German public opinion and helped bring Adolf Hitler to power. If the current crisis turns into a depression, what rough beasts might start slouching toward Moscow, Karachi, Beijing, or New Delhi to be born? The United States may not, yet, decline, but, if we can't get the world economy back on track, we may still have to fight.



**Impacts—Economic Collapse Kills Hegemony****Economic Collapse Will Bring With it the Collapse of American Hegemony**

John Gray, Emeritus professor of European Thought at the London School of Economics, "America's global fall from grace" The Globe and Mail (Canada), October 1st, 2008 (Lexis)

Our gaze might be on the markets melting down, but the upheaval we are experiencing is more than a financial crisis, however large. Here is a historic geopolitical shift, in which the balance of power is being altered irrevocably. The era of U.S. global leadership, reaching back to the Second World War, is over. You can see it in the way the United States' dominion has slipped away in its own backyard, with Venezuelan President Hugo Chavez taunting and ridiculing the superpower with impunity. Yet the setback of U.S. standing at the global level is even more striking. With the nationalization of crucial parts of the financial system, the U.S. free-market creed has self-destructed while countries that retained overall control of markets have been vindicated. In a change as far-reaching in its implications as the fall of the Soviet Union, an entire model of government and the economy has collapsed. Ever since the end of the Cold War, successive U.S. administrations have lectured other countries on the necessity of sound finance. Indonesia, Thailand, Argentina and several African states endured severe cuts in spending and deep recessions as the price of aid from the International Monetary Fund, which enforced the U.S. orthodoxy. China, in particular, was hectored relentlessly on the weakness of its banking system. But China's success has been based on its consistent contempt for Western advice and it is not Chinese banks that are currently going bust. How symbolic that Chinese astronauts should take a spacewalk while the U.S. Treasury Secretary is on his knees. Despite incessantly urging other countries to adopt its way of doing business, the United States has always had one economic policy for itself and another for the rest of the world. Throughout the years in which the United States was punishing countries that departed from fiscal prudence, it was borrowing on a colossal scale to finance tax cuts and fund its overstretched military commitments. Now, with federal finances critically dependent on continuing large inflows of foreign capital, it will be the countries that spurned the U.S. model of capitalism that will shape the United States' economic future.

**Impacts—Economy Key to the Environment****Preventing an Economic Collapse is the Best Strategy for the Environment—Crisis Wouldn't Help and We Can Grow Our Way Out of Danger**

Martin Lewis, Professor, School of the Environment, Duke University, GREEN DELUSIONS, 1992, (p. 8-9)

Finally, the radical green movement threatens nature by advocating a return to the land, seeking to immerse the human community even more fully within the intricate webs of the natural world. Given the present human population, this is hardly possible, and even if it were to occur it would result only in accelerated destruction. Ecological philosophers may argue that we could follow the paths of the primal peoples who live in intrinsic harmony with nature, but they are mistaken. Tribal groups usually do live lightly on the earth, but often only because their population densities are low. To return to preindustrial "harmony" would necessarily entail much more than merely decimating the human population. Yet unless our numbers could be reduced to a small fraction of present levels, any return to nature would be an environmental catastrophe. The more the human presence is placed directly on the land and the more immediately it is provisioned from nature, the fewer resources will be available for nonhuman species. If all Americans were to flee from metropolitan areas, rural populations would soar and wildlife habitat would necessarily diminish. An instructive example of the deadly implications of returning to nature may be found when one considers the issue of fuel. Although more common in the 1970s than the 1990s, "split wood not atoms" is still one of the green radicals' favored credos. To hold such a view one must remain oblivious to the clearly devastating consequences of wood burning, including suffocating winter air pollution in the enclosed basins of the American West, widespread indoor carbon monoxide poisoning, and the ongoing destruction of the oak woodlands and savannahs of California. If we were all to split wood, the United States would be a deforested, soot-choked wasteland within a few decades. To be sure, the pollution threat of wood stoves can be mitigated by the use of catalytic converters, but note that these are technologically sophisticated devices developed by capitalist firms. If the most extreme version of the radical green agenda were to be fully enacted without a truly massive human die-off first, forests would be stripped clean of wood and all large animals would be hunted to extinction by hordes of neo-primitives desperate for food and warmth.

**Impacts—Economy Key to Poverty Reduction****Economic Success is Key to Sustaining Geopolitical Stability, Improving Quality of Life and Decreasing Poverty**

Gregg Easterbrook, Visiting Fellow, Brookings Institution, "The Capitalist Manifesto," Review of The Moral Consequences of Economic Growth by Benjamin M. Friedman, THE NEW YORK TIMES, November 27th, 2005, (p. 16)

Though "The Moral Consequences of Economic Growth" may not quite succeed in showing an iron law of growth and liberalization, Friedman is surely correct when he contends that economic expansion must remain the world's goal, at least for the next few generations. Growth, he notes, has already placed mankind on a course toward the elimination of destitution. Despite the popular misconception of worsening developing-world misery, the fraction of people in poverty is in steady decline. Thirty years ago 20 percent of the planet lived on \$1 or less a day; today, even adjusting for inflation, only 5 percent does, despite a much larger global population. Probably one reason democracy is taking hold is that living standards are rising, putting men and women in a position to demand liberty. And with democracy spreading and rising wages giving ever more people a stake in the global economic system, it could be expected that war would decline. It has. Even taking Iraq into account, a study by the Center for International Development and Conflict Management, at the University of Maryland, found that the extent and intensity of combat in the world is only about half what it was 15 years ago.

**AT: Non-Ux: Transportation Spending Now****Even Some Transportation Spending Will Be Conservative—Large, Long Term Programs Won't Pass Without the Plan**

The Hill, "Gridlock, on roads and in highway bill talks, marks Memorial Day weekend," May 28th, 2012

(<http://thehill.com/blogs/transportation-report/highways-bridges-and-roads/229707-gridlock-on-roads-and-in-highway-bill-talks-marks-travel-weekend->)

But even if they do, Innovation NewsBriefs editor Ken Orski said it will not be like the big transportation bills of yesteryear.

"The federal-aid transportation program will surely continue but there is a growing sense among the lawmakers on Capitol Hill that Congress may be forced to abandon the practice of multi-year authorizations," Orski, a former transportation staffer in the Nixon and Ford administrations, wrote in a recent blog post.

"The prevailing fiscal and political environment makes it difficult if not impossible to raise hundreds of billions of discretionary dollars in a single legislative package," he continued. "The fact that the Senate has barely scraped up enough funds for a two-year bill while the House has been unable to come up with any plausible funding for its five-year bill, suggests that the days of multi-year transportation authorizations may indeed be over."

**AT: Non-Ux: Deficit Now****Increases in Debt are Not Increases in Spending—The Recession Ensures that Food Stamps Spending Etc Go Up Automatically—Stimulus Also Doesn't Prove It**

Sacramento Bee, "Obama on the defensive on spending, debt," May 26th, 2012

(<http://www.sacbee.com/2012/05/26/4518315/obama-on-the-defensive-on-spending.html#storylink=cpy>)

Still, much of the increase during Obama's tenure has been a consequence of the recession. In a poor economy, [government spending](#) increases automatically because more Americans become eligible for [food stamps](#), unemployment assistance and Medicaid. Also, a poor economy leads to unemployment which cuts into [tax revenue](#). As a result, deficits are inevitable as more money goes out and less comes in.

To be sure, Obama pushed through a stimulus package that cost more than \$800 billion and he and President George Bush both approved spending of the \$700 billion bank bailout in 2008 and 2009. But those costs are not recurrent.

"It's important to understand the reason why the debt went up by so much," said Robert Bixby of the budget watchdog group The Concord Coalition. "We certainly do have a very serious long-term debt problem in the country. We have an underlying structural imbalance between what we are promising, mostly in entitlement benefits, and what we're willing to pay for in taxes. But in the short-term there are a lot of factors that are pushing the debt up that aren't related to fiscal policy."

**AT: Economic Shift Now/Dollar Collapse Now****American Fiscal Policy Will Determine the Likelihood, Speed and Significance of the Change—  
The Plan Can Affect it**

Christian Science Monitor, "Budget cuts are the dollar's savior," April 14, 2011

(<http://www.csmonitor.com/Commentary/the-monitors-view/2011/0414/Budgetcuts-are-the-dollar-s-savior>)

But the US dominance only assumes Washington finally sees the error of its profligate ways before there's a run on the bank, so to speak, as investors perceive the US Treasury may not back up its bonds. Just as the US dollar began to take over from the British sterling in the 1920s as the world's top currency, China's yuan may be on its way to take over the dollar. But how soon? And will it be slow and organic, or quick and drastic? China's mercantile way of controlling its economy and manipulating the value of its currency only works against its hopes of usurping the dollar. Its authoritarianism is inherently unstable, and its values run counter to those set by the US in the global system. But if China inches toward democracy and freer markets during this century, its currency, along with others, might define a new multipolar currency system in which the US dollar becomes merely a first among equals. How that trend plays out depends in large part on the political battles in Washington over issues like Medicare and tax reform. The leaders there need to see their roles in that long-term contest over the values of the global system.

**AT: Plan Not that Expensive (Snowball)****Spending on Specific Projects Snowballs—Earmarks Spiral Out of Control**

Tribune Herald, "Congressman stresses not all earmarks are 'evil'" July 8th, 2007 (<http://www.highbeam.com/doc/1G1-166290500.html>)

In 1994 -- the last year Democrats controlled the appropriations process -- there were 4,126 earmarks totaling \$26.6 billion. That dropped to 3,000 earmarks when the Republicans became the majority. Pledges of fiscal responsibility became overshadowed by more and more earmarks, until the 2006 budget contained 15,500 earmarks totaling \$64 billion. As Malmstrom's Comptroller, I am required to align recommended spending with "military utility" as I provide financial advice and decisions on where to use our scarce dollars in an effort to eke out the greatest return in accomplishing the mission. Military utility means that if an item is capable of fulfilling its purpose for the military mission, it doesn't need replacing. Instead, there are many other competing expenditures where we can use our money to further advance our mission effectiveness and efficiency. No longer do we have the luxury of replacing or upgrading based on color, scratches and faded material. In these times of leaner budgets, health, safety and mission must drive our decisions.

**AT: Plan Not that Expensive (Perception)****Perceived Spending Breaks the Bank, Destroys Confidence and Spills Over**

Concord Coalition, "CONCORD COALITION APPLAUDS PAYGO IN BUDGET RESOLUTION BUT WARNS THAT PROJECTED SURPLUS REQUIRES HARD CHOICES", May 17, 2007

(<http://www.concordcoalition.org/press/2007/070517release-budgetconference.htm>)

WASHINGTON -- The Concord Coalition said today that the Congressional Budget Resolution to be voted on in the House and Senate this week would help restore fiscal discipline by applying a deficit neutral "pay-as-you-go" (paygo) standard to all entitlement expansion and tax cut legislation and by creating a "trigger" in the House to protect projected surpluses. Concord expressed concern, however, that the revenue numbers in the budget plan assume a waiver of paygo for certain tax cut extensions. This presumed waiver, along with the absence of cost cutting entitlement reform and an assumed slowing of discretionary spending growth in the outyears, makes the goal of a \$41 billion surplus in 2012 seem optimistic. "Budget rules are only as strong as the political will to apply them. A close look at the pent-up spending and tax cut demands in the budget resolution's 23 reserve funds shows how important strict adherence to paygo will be for the desired surplus to result. In this budget, paygo acts as a fiscal levee against a flood of red ink. If that levee breaks, there is little chance of reducing the deficit, let alone of producing a surplus," said Concord Coalition executive director Robert L. Bixby.



## AT: We Have/Had a Recession Now, Impact Non-Ux

**Double Dip Recession is Qualitatively Different, It Would Be Unsolvably and Devastate the Economy Globally—The Risk is Very Real**

CNN Money, "Recession 2.0 would hurt worse," August 10th, 2011,

([http://money.cnn.com/2011/08/10/news/economy/double\\_dip\\_recession\\_economy/index.htm](http://money.cnn.com/2011/08/10/news/economy/double_dip_recession_economy/index.htm))

The risk of double dip recession is rising. And while economists disagree on just how likely the U.S. economy is to fall into another downturn, they generally agree on one thing -- a new recession would be worse than the last and very difficult to pull out of. "Going back into recession now would be scary, because we don't have the resources or the will to respond, and our initial starting point is such a point of weakness," said Mark Zandi, chief economist at Moody's Analytics. "It won't feel like a new recession. It would likely feel like a depression." Zandi said the recent sell-off in stocks have caused him to raise the odds of a new recession to 33% from 25% only 10 days ago. Other economists surveyed by CNNMoney are also [raising their recession risk estimates](#). The survey found an average chance of a new recession to be about 25%, up from a [15% chance](#) only three months ago. Of the 21 economists who responded to the survey, six have joined Zandi in increasing their estimates in just the last few days. The main reason: the huge slide in stocks. Standard & Poor's [downgrade of the U.S. credit rating](#) is another concern. "The correction in equity markets raises the risk of recession due to the negative [hit to wealth](#) and [confidence](#)," said Sal Guatieri, senior economist for BMO Capital Markets. Even with a [430-point rebound](#) in the Dow Jones industrial average Tuesday following the Federal Reserve meeting, major U.S. stock indexes have lost more than 11% of their value over the last 12 trading days. [Recovery at risk](#) A plunge in stocks doesn't necessarily mean a new recession. The economy avoided a recession after the stock market crash of 1987. "Stock price declines are often misleading indicators of future recessions," said David Berson, chief economist of BMI Group. But with the economy already so fragile, the shock of another stock market drop and resulting [loss of wealth](#) could be the tipping point. "It really does matter where the economy is when it gets hit by these shocks," said Zandi. "If we all [pull back on spending](#), that's a prescription for a long, painful recession," he said. Most economists say they aren't worried that S&P's downgrade makes recession more likely, although a few said any bad news at this point increases the risk. "The downgrade has a psychological impact in terms of hurting consumer confidence," said Lawrence Yun, chief economist with the National Association of Realtors. On shakier ground Another recession could be even worse than the last one for a few reasons. For starters, the economy is more vulnerable than it was in 2007 when the Great Recession began. In fact, the economy would enter the new recession much weaker than the start of any other downturn since the end of World War II. Unemployment currently stands at 9.1%. In November 2007, the month before the start of the Great Recession, it was just 4.7%. And the large number of Americans who have stopped looking for work in the last few years has left the [percentage of the population with a job](#) at a 28-year low. Various parts of the economy also have yet to recover from the last recession and would be at serious risk of lasting damage in a new downturn. [Home values continue to lose ground](#) and are projected to continue their fall. While manufacturing has had a nice rebound in the last two years, industrial production is still 18% below pre-recession levels. There are nearly 900 banks on the [FDIC's list of troubled institutions](#), the highest number since 1993. Only 76 banks were at risk as the Great Recession took hold. But what has economists particularly worried is that the tools generally used to try to jumpstart an economy teetering on the edge of recession aren't available this time around. "The reason we didn't go into a depression three years ago is the policy response by Congress and the Fed," said Dan Seiver, a finance professor at San Diego State University. "We won't see that this time." Three times between 2008 and 2010, Congress approved massive spending or temporary tax cuts to try to stimulate the economy. But fresh from the [bruising debt ceiling battle](#) and credit rating downgrade, and with elections looming, the federal government has shown little inclination to move in that direction. So this new recession would likely have virtually no policy effort to counteract it. ■

**AT: No Actual Economic Effect of Spending****Spending Harms the Economy, Even If There is no Direct Effect, Perceptions of the Budget Deficit Hold Back Economic Recovery**

J.D. Foster, Senior Fellow in the Economics of Fiscal Policy at The Heritage Foundation, "Promoting Job Creation and Reducing Unemployment in the U.S.," Heritage Foundation, September 21st, 2011

(<http://www.heritage.org/research/testimony/2011/09/promoting-job-creation-in-the-us>)

The federal government should adopt a very simple guiding principle for deciding what to do next. That principle is to do less harm. There is very little in terms of concrete actions government can do at this stage that would help, and a great deal of intended help that would harm, either by raising the deficit to no good effect or by creating more uncertainty and slowing the economy's natural healing process.

Do less harm means getting spending under control and thereby cutting the budget deficit. Americans are worried about spending and the deficit. That worry by itself is holding us back.

Do less harm means policymakers should stop threatening higher taxes. We can have debates about who should pay what when we're at full employment. In the meantime, this threat is debilitating.

Do less harm means stop the onslaught of new regulations. The recent pullback of the EPA's ozone regulation was a good example. Even the threat of new regulations creates bad uncertainty for those affected, freezing them in place. Again, we can work through these regulations when Americans are back to work.

Do less harm means policymakers should stop meddling with the economy. There is almost no limit to the harm Washington can do to the economy in its efforts to do something for the economy. The patient is in recovery, slowed by the incessant proddings and procedures of Washington's policy doctors. The patient doesn't need another procedure or a new nostrum. Let it heal. Do less harm.

**AT: Fed Action Prevents the Impacts****The Fed Can Only Do So Much—Consumer Activity and Confidence Overwhelms Any Action They Can Take**

Jeremy J. Siegel, professor at the University of Pennsylvania's Wharton School, "What the Fed Can (and Can't) Do," Kiplinger.com, November 12, 2007 (lexis)

When markets went bonkers over the summer, central banks around the world, led by our own Federal Reserve, came to the rescue. Government banks are indeed powerful institutions, but there are limits to what they can and cannot control. Central banks can stop a run on the banking system. A run occurs when depositors try to withdraw money but discover that a bank doesn't have enough reserves to satisfy all its customers. Central banks can stop runs by supplying reserves to the banking system. We saw this power in action recently when the Bank of England lent billions of pounds to Northern Rock, a savings bank holding devalued subprime mortgages. As British depositors gained confidence that the central bank would make them whole, they stopped their run on Northern Rock. The ability to supply reserves in a crisis is critical to the success of central banking. When the Fed failed to lend banks money in 1931, a banking panic ensued, leading to the collapse of the financial system. This was the major cause, in my opinion, of the Great Depression. The Fed and other central banks are committed to preventing a repeat. The Fed can influence short-term interest rates but not long-term rates. The Fed can set rates by controlling the rate at which it lends money to the banking system -- called discount lending. Another way is to supply reserves through open-market purchases, which involve the buying of government securities and the consequent crediting of reserves to banks to pay for these purchases. The specific interest rate the Fed targets is called the federal funds rate, the rate that banks charge each other on overnight loans. This rate forms the basis for all other short-term lending rates, such as the prime rate. The central bank does not control long-term rates. Investors do, through their buying and selling of bonds. Many factors determine the actions of investors, including economic growth, inflation and expectations of future monetary policy. When the Fed surprised investors by lowering the federal funds rate by a half percentage point, to 4.75%, on September 18, long rates actually rose as bondholders expected growth and inflation to accelerate. Although higher long-term rates may offset some of the impact of the Fed's short-term-rate cuts, an easing of monetary policy is almost always good for the economy and the stock market -- unless it is excessive and sparks higher inflation. The Fed can moderate the business cycle but cannot eliminate it. It's easy to think that the Fed can fine-tune the economy to any level of growth it desires. But the link between growth, money and interest rates is not that precise. There are unpredictable lags between changes in rates and changes in consumer and business spending. Central banks can mitigate, but not eliminate, the harm done from unforeseen shocks, such as the 9/11 terrorist attacks. Despite the vast power of central banks to influence economies over the short term, they have surprisingly little power to set the long-term course. Except for the actions they take that are designed to keep inflation low, little of what central banks do has any impact on long-term economic growth, which is determined by productivity, tax policy and the economy's built-in incentives to save and invest. Fed chairman Ben Bernanke's quick response to the subprime crisis will likely prevent a recession, but it won't prevent a slowdown. The Fed can do much to stabilize consumer and business spending, but it will never be able to override all the ups and downs of our market economy.

**AT: US Not Key to World Economy****American Involvement in the World Economy is What Sustains Growth—Our Loss Will Kill the World**

Scott Champion, Share International Staff Writer, "Will a US dollar collapse end American hegemony?" Share International, July-August, 2003 ([http://www.share-international.org/magazine/old\\_issues/2003/july\\_03.htm](http://www.share-international.org/magazine/old_issues/2003/july_03.htm))

The US is currently running a \$600 billion current-account deficit (trade deficit adjusted by unilateral transfers such as interest earned abroad). This means the US must borrow more than \$1.5 billion per day on a net basis from international lenders. For borrowers such as the US, it is generally easier to pay back loans in a depreciating currency rather than an appreciating one. Due to the large sums involved and a weak domestic economy, a strong dollar would make it more difficult for the US to finance its self-appointed role as the "world's policeman". The US's increasingly desperate financial condition is not good news for the world. With short-term interest rates near zero, there is little additional economic benefit to be gained from lowering them further. This leaves a cheaper dollar as one of the last levers to stimulate the US economy. As long as lenders are willing to invest in dollar assets, the US can continue to borrow to maintain its current lifestyle. However, if foreign lenders begin to shun US markets because of a falling dollar, it could cause serious problems for the US Government, economy and people. For many years the US has been the economic engine for the world, standing in as purchaser of last resort for the world's supply of goods in times of global economic distress. Now the US itself is in trouble. If the US attempts to fight the rapidly gaining forces of deflation by encouraging a depreciating dollar, it will export deflation to the rest of the world because foreign currencies will rise relative to the dollar. This will damage foreign economies and inhibit their ability to buy goods and services, including those from the US. Since the short-term benefit of a weak dollar to US corporations' earnings will show up quickly, while the long-term damage to the global economy will become apparent only with the passage of time, it is a fair assumption that the US will take the easy route and worry about the global fallout later.

**AT: Economy Resilient****Destruction to the Economy Will Snowball—Government Won't Protect it From Destruction**

Dr. James Dobson, Ph.D. Founder and Chairman of Focus on the Family, "The Asteroid That is Our Economy That is to Come" April 29, 2008 (<http://undcr.com/?p=217>)

By 2019, Medicare becomes completely insolvent. And by 2041, Social Security runs dry. Great. By most estimates, this is a \$53 trillion asteroid. Now, you find one person—if you can find them, I'll pay you—that's credible on either side of the aisle that disputes the size of this threat or how quickly it's coming. In fact, most would say the dates and the figures I just gave you are conservative. So, why is it no one's doing anything about it? If there were a real asteroid, do you think we'd allow our leaders to keep passing the next buck to the next administration until we could actually see the flying rock in the sky? ... We're not only letting [our leaders] get away with that, we're letting them do something worse. We're letting them actually go out into space, and they're [asking] 'I wonder if we could make the asteroid bigger?' I mean, they're putting prescription drugs on. We've got billions in bailouts and rebate checks ... I'm sorry, this is criminal negligence. I don't know who people think are going to swoop in and save us from this disaster ... I've got news for you, it's not going to be Congress ... The president is not going to do it. And believe me, Bruce Willis and Tommy Lee Jones, are going to be a little too old. They'll be on that non-existent Social Security system by then. Like always, we have to save ourselves. And we have to start right now... " Glenn Beck is absolutely right. Our political leaders are spending us into oblivion, and guess what? They plan to raise our taxes exponentially so they can waste even more. One of my personal heroes, Winston Churchill, once said that "for a nation to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle."<sup>1</sup> He was, of course, talking about the economic situation in Great Britain many decades ago. But his words have striking relevance to the United States today and to the scenario described by Glenn Beck on CNN. If you're like most Americans, you filed your income taxes this month. And as you realized just how much of your hard-earned money will go to support the bloated bureaucracy and to an ever growing catalog of entitlements, you may have felt as helpless as a man in a bucket trying to lift himself up—or a scientist watching an asteroid hurtling towards earth while the government leaders did nothing to prepare.

**AT: Spending Good****Spending Doesn't Create Jobs or Boost the Economy—Empirically, Highest Levels of Spending Correspond to Downturns**

Richard W. Rahn, senior fellow at the Cato Institute, "RAHN: Spending lies run into facts," Washington Times, May 28th, 2012 (<http://www.washingtontimes.com/news/2012/may/28/spending-lies-run-into-facts/>)

Every president who has run for office since at least Richard Nixon, including even Mr. Obama, has promised to cut government spending when campaigning. And most members of [Congress](#) make the same pledge when running for office. Once they're in office, their behavior almost always changes. President Reagan managed, with a partially Democratic [Congress](#), to reduce spending during his last six years, after an increase in his first two years. And President Clinton, with the new Newt Gingrich Republican [Congress](#), was even more successful in cutting spending during his last six years.

It is a myth that increases in government spending create jobs. The correct way to measure job creation is to look at the percentage of the adult population that is employed. The unemployment rate numbers only indicate those who are still looking for work and do not measure those who have become discouraged and dropped out of the workforce. The chart clearly shows increases in government spending are associated with fewer jobs, not more. The data for the past hundred years shows the same negative relationship between the growth in government and the number of jobs. It is no coincidence that European and other countries with larger governments almost always have lower labor-force participation rates. Most government spending is for transfer payments - other than defense. The transfer payments are funded through higher taxes on productive workers and through borrowing, both of which have a negative impact on economic growth. And many of those who receive the transfers only receive them on the condition of not working, as in the case of certain welfare and unemployment compensations. That, combined with the normal inefficiencies and misallocation of resources found in government, results in lower output and growth and negative job creation.

Those who advocate more government spending to create jobs are almost always those who fail to understand the secondary effects of such policies or are leftist ideologues impervious to reason. The next time you hear someone say the government needs to spend more to create jobs, ask where the money comes from. If they don't look totally perplexed and are bright enough to say from taxes or borrowing, ask them what the costs are to the economy and effects on jobs of those activities. Perhaps it will nudge them to start thinking about such matters.

**AT: Spending Good****Spending the Way Out of Recession is Not Possible—It Will Explode Inflation and Terminate in Depression and War**

Jonathan W. Emord, Constitutional Law Attorney and Author, "THE KRUGMAN-OBAMA CONNECTION," May 28th, 2012 (<http://www.newswithviews.com/Emord/jonathan247.htm>)

While advancing the central thesis of his new book, *End This Depression Now!*, economist Paul R. Krugman, Nobel laureate, has become a spokesman who outflanks Obama on the left in this election season. To counter the attack on the President's failed stimulus bills (yielding no appreciable change in unemployment or private sector growth despite in excess of \$5 trillion added to the national debt in less than four years), Krugman argues not that this massive Keynesian experiment has failed but, rather, that the spending thus far is less than half of what the government should have spent to jumpstart the economy.

Krugman compliments Obama for his preference for stimulus spending but faults him for not spending enough and predicts dire consequences if federal spending is reduced as Romney promises. Krugman thus creates a new straw man helpful for the President. Krugman positions himself together with his excellent resumé on the left of Obama concerning the central issue of the presidential campaign, arguing, in essence, that if Obama is re-elected and liberated from political constraints needed to win re-election, it will permit "Obama to be Obama" (paraphrasing the old Reagan adage, "let Reagan be Reagan"). Then, gloriously, Obama could spend tens of trillions more beyond receipts. At long last, argues Krugman, the economy would rebound. Does anyone other than Philip Coggan remember what happened to the Weimar regime in Germany following World War I? The regime ordered the Reichsbank to print over a trillion marks, causing a massive influx in paper currency to deluge the market. As Coggan reminds us in *Paper Promises*, "In 1914, the dollar was worth 4.2 marks. After the war, which Germany had financed through money-printing, the dollar was worth 65 marks. By August 1923, a dollar could buy 620,000 marks, and by November 630 billion." As Coggan explains, by November 1923, "a kilo of butter cost 250 billion marks."

If Krugman's plan is followed, inflation will destroy us, leading not to an end of the current "depression" but to the ruination of capital, to loss of remaining confidence in the dollar, to extraordinary inflation, and to high unemployment—a depression not that dissimilar from the global one of the 1930s that led to the rise of Nazi Germany.

**AT: Infrastructure Spending Good****Infrastructure Spending Doesn't Create Jobs and Can't Act as a Stimulus—It Only Hurts Overall Economic Prospects and is Too Long Term**

J.D. Foster, Senior Fellow in the Economics of Fiscal Policy at The Heritage Foundation, "Promoting Job Creation and Reducing Unemployment in the U.S.," Heritage Foundation, September 21st, 2011

(<http://www.heritage.org/research/testimony/2011/09/promoting-job-creation-in-the-us>)

Thus, Keynesian demand-side stimulus does not help. It is fiscal alchemy. And by adding to the deficit and thus fears about the future, it surely adds to the economy's headwinds.

Infrastructure

Increased infrastructure spending, as the President and others have advocated, is an example of a double folly. To be clear, the issue here is not whether the nation needs more or less infrastructure spending. I am not expressing an opinion on that one way or another.

The issue is whether it acts as a short-term stimulus. It does not. First, assuming the additional spending was financed by additional borrowing, the policy runs afoul of the Keynesian fallacy. To be sure, once a project is underway one can point to the people working, but just as surely the borrowing that made that project possible reduced employment elsewhere.

The second folly is just as plain. Infrastructure spending on projects is capital intensive and stretches over years. It cannot, even if enacted, swiftly affect employment in the next year plus.



**Aff—Non-Ux: Spending Now****Transportation Spending Will be Boosted Big in the Status Quo—Compromise Will Make Spending Happen**

Daily Political, "Senate Making Progress in Bill for Transportation Spending," May 24th, 2012

(<http://www.dailypolitical.com/politics/u-s-politics/senate-making-progress-in-bill-for-transportation-spending.htm>)

Lawmakers for the U.S. Senate [house](#) committee are making great progress on finalizing a bill for transportation spending according to Sen. Barbara Boxer on Wednesday. This comes at a time of the provision that would fast-track the Keystone XL crude pipeline still being unresolved.

A \$106 billion bill to fund road, bridge and rail projects is the committee's starting point. Republicans are insisting that the registration should include the Canada to Texas oil pipeline, something that Barack Obama has delayed earlier this year while environmentalists raised concerns.

The update for the closed-door negotiations of how to advance the bill was released and the Democratic chairman of the Senate House panel said that she is now more optimistic than ever before the deal can be reached by June. This comes after she discussed the bill with Republican House Speaker John Boehner on Tuesday evening.

Boxer said, "He is working to make sure we get this done, and that is the best news I've heard in a long time. Our conversation was really good. Nobody brought up any "sticking points.""

**Aff—Non-Ux: Spending Now****Spending Has Exploded Under Obama, Will Only Continue**

The Foundry Heritage Foundation Blog, "Setting Obama's "Great Fiscal Restraint Record" Straight," May 24th, 2012 (<http://blog.heritage.org/2012/05/24/setting-obamas-great-fiscal-restraint-record-straight/>)

Nutting's own take on the situation matches this fact:

By no means did Obama try to reverse that spending. Indeed, his budget proposals called for even more spending in subsequent years. But the Congress...stopped him. If Obama had been a king who could impose his will, perhaps what the Republicans are saying about an Obama spending binge would be accurate.

This is exactly the point. Obama, you will recall, wanted a free pass on last summer's debt ceiling increase so he could keep spending. Republicans insisted there be spending cuts to accompany any hike in the debt ceiling. But Republicans' requiring the first of many steps necessary to fix the dismal state of the nation's budget does not make Obama the fiscal savior.

What Obama has ignored is the fact that spending on entitlement programs has steadily grown under his presidency. He has repeatedly failed to tackle the entitlement spending tsunami that will swamp the budget as their costs [continue to increase at an alarming rate](#), doubling as a share of the economy within the next few decades.

The major entitlement programs—Medicare, Medicaid, and Social Security—are the main drivers of future deficits, yet the President has failed to offer any solutions to reform them. He promptly ignored his own deficit commission's proposals to address the spending and debt crises but proposed none of his own. In fact, Obamacare added a costly new entitlement that will only add to the long-term spending crisis. He [pays lip service](#) to the need for strengthening and preserving these programs, and then in the next breath turns to the topic of how earnestly the economy needs government "investments" elsewhere.

**Aff—Spending Good****Government Spending Solves Public Sector Debt—Without Increases We Will Experience a Second Depression**

The Economic Collapse Blog, “The necessity of government spending,” April 22nd, 2012

(<http://theeconomiccollapse.blogspot.com/2012/04/necessity-of-government-spending.html>)

A depression was borne out of high levels of private sector debt made apparent by a financial crisis.

The effects of this depression have been lessened by economic stimulus and government support.

Government intervention led to a reduction in asset price declines, which led to stock market increases, which led to asset price stabilization and more asset price increases. This has led to a false sense that green shoots are leading to a sustainable recovery.

In reality, the problems of high debt levels in the private sector and an undercapitalized financial system are still lurking, waiting for the government to withdraw its economic support to become realized

Because large scale government deficit spending is politically impossible, expect a second economic dip within three to four years at the latest.

While I might quibble with his time frame and the necessity of government spending (a bit too Keynesian), it is a valuable piece that provides background for those attempting to understand better what has happened and what the future may hold.

**Aff—Transportation Infrastructure Spending Good****Spending For Transportation Infrastructure Benefits the Economy in Numerous Ways—The Overall Affect is Crucial to Economic Recovery**

Center For American Progress, "Infrastructure Spending Builds American Jobs," September 8th, 2011 ([http://www.americanprogress.org/issues/2011/09/jobs\\_infrastructure.html](http://www.americanprogress.org/issues/2011/09/jobs_infrastructure.html))

The construction sector was particularly hard hit by the Great Recession of 2007-2009 and really never quite recovered, with devastating consequences for construction workers. Unemployment in construction remains dismal. In August 2011 [the unemployment rate in the construction industry stood at 13.2 percent](#)—substantially higher than the economy-wide unemployment rate of 9.1 percent. The loss of jobs and investment in construction has been dragging down the overall U.S. economy. At the same time, the United States' transportation and other public infrastructure is underfunded, aging, and growing increasingly inadequate to serve the needs of families and business competitiveness.

Fortunately, there is something very simple the federal government can do about these problems: Put more resources into infrastructure investment. We know from very recent experience that infrastructure investments deliver the goods for job creation and business growth. Two years ago, the unemployment rate for construction workers was 17 percent—before federal government stimulus funds boosted construction and the overall economy. In 2009 Congress and the Obama administration [allocated an additional \\$29.9 billion](#) in transportation spending for roads, bridges, and transit systems alongside another \$21.7 billion for other infrastructure investments, ranging from funds for improving drinking and wastewater systems to large-scale civil engineering projects overseen by the Army Corps of Engineers.

Together, this money accounted for 6 percent of spending through the Recovery and Reinvestment Act of 2009, directly creating 1.1 million jobs by March 2011 in the construction sector. Those 1.1 million jobs represent 17 percent higher construction employment than would have been the case without government action, according to an analysis by Daniel J. Wilson, an economist with the Federal Reserve.<sup>[1]</sup>

Investments in infrastructure, of course, contribute more to the U.S. economy than simply providing much-needed construction sector jobs. Improved infrastructure reduces costs for businesses, making U.S. companies more competitive. Infrastructure and transportation investment indirectly creates jobs in other sectors of the economy, including manufacturing, because construction projects require sophisticated materials and machines. And the good middle-class incomes earned by those newly employed in infrastructure investment projects fuel spending elsewhere in the economy, thereby maintaining and increasing private-sector employment.

When construction workers get their paychecks, for example, they may use the money to pay rent or the mortgage, buy groceries, take the kids to the dentist, or for other household spending—the same things all people do when they get paid. These activities generate sales for businesses and [help create and maintain jobs for workers](#) throughout the rest of the economy.